Subject: Re: Joint Venture
From: Donald Duckworth <duckworth.donald@gmail.com>
Date: 05/05/2016 04:56 AM
To: Mason Shayan <mshayan0904@sbcglobal.net>
CC: Edgar Saenz <edgar.allen.saenz@gmail.com>, Miki Payne2 <miki@hbdrollinger.com>, Les Watt <Les@blacktievalet.com>
BCC: Donald R Duckworth <duckworth.donald@gmail.com>

Only a new 501c3 is 100% independent. Establishing such a new entity is also easier and less expensive than preparing a JV, one telephone call to Legal Zoom or a quick filing for Edgar. WVC has been contemplating its future forever and for whatever reasons has been unable to act; the BID is not going to "hitch-up" to that. Are we really still talking about this?

On May 4, 2016 11:40 PM, "Mason Shayan" <mshayan0904@sbcglobal.net> wrote:

> Hi Don,
>
> I hope all is well.
>
> I have missed the previous meeting, so my question may not be a good one.
>
> I would like to know why we are establishing a new 501c3 (none profit entity) when we already have WVC and the BID in place? Why a joint venture cannot be independent, transparent, accountable and self sustaining? The JV will have a separate agreement, separate bank account and financial reports. The transparency of such arrangement will be as good as the BID and WVC at the present time. The numbers will be provided by “the market operator” and Bob Smith will take care of the bookkeeping and accounting and the financial reports for our boards.
>
> It seems to me that it will add duplication of entities and additional complexity that need to be justified.
>
> Thank you,
> Mason
>
> > On Apr 26, 2016, at 8:20 PM, Donald Duckworth <duckworth.donald@gmail.com> wrote:
> >
> > Thanks Edgar. We need to create an independent entity. Let's go for the 501c3 corporate entity. This is NOT an informal partnership that we are setting up. Independent, transparent, accountable, self-sustaining: that's

what we need. That's what the BID will do. No JV. It's too loosey goosey. I don't understand you suggestion.

On Tue, Apr 26, 2016 at 6:09 PM, Edgar Saenz <edgar.allen.saenz@gmail.com> wrote:

Hello,

I excerpt a good overview of joint venture structures and taxation. The type of joint venture our respective organizations appear to be entering is a **contractual** (not an entity) **joint venture.** Note the tax aspects of such an arrangement.

Tax aspects of joint ventures

There are many different reasons for forming some sort of joint venture, including property investment or development, the operation of a trade, the design of a new product or combining resources to bid for a contract.

Joint ventures can be structured in different ways. These include establishing a joint venture company, establishing a partnership or avoiding any sort of joint venture entity and simply agreeing to work together on a particular project.

Tax issues will need to be considered in relation to the set up of the venture, the operation of the joint venture and the eventual termination of the venture.

This guide outlines the main tax issues that can arise in relation to the three types of joint venture mentioned above.

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Contractual joint venture

In a contractual joint venture the parties do not establish any separate entity to carry on the venture. Instead the parties enter into contracts and make their own profits and losses. They pay tax only on their own profits.

Contractual joint ventures are sometimes used by parties to combine resources to bid for the award of a contract or to undertake joint research.

An important advantage of contractual joint ventures is that there is no joint and several liability for the losses of the venture.

As no particular documentation or legal structure is required in order for a partnership to exist, it is important that the parties to a contractual joint venture structure their

operations so that they cannot be regarded as acting in partnership. If they are treated as acting in partnership they could be subject to unexpected tax and other liabilities. One of the key indicators of a partnership is profit sharing so contractual joint venturers will need to ensure that the arrangements are structured to avoid this.

A contractual joint venture will not involve the transfer of assets to another entity and so no tax issues should arise on set up or on termination of the arrangements. Also the operation of the joint venture will not involve any sharing of profits so each party will be subject to tax on the profits it makes as a result of the venture.

For the complete article, go to http://www.out-law.com/en/topics/tax/corporate-tax-/tax-aspects-of-joint-ventures/

Sincerely yours,
Edgar Saenz

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